
October 15, 2015

Welcome to the Ninth Annual National Team Selling Competition! We are looking forward to meeting all of you when you arrive at the Indiana University campus in Bloomington, Indiana on October 29th.

We hope everyone will find the case challenging as well as learn from the experience. At the same time, we want everyone to have fun working with your teams, interacting with Altria and 3M and meeting students from universities across the United States.

As the corporate sponsors of the competition, we worked closely with the faculty and staff at the Center for Global Sales Leadership at Indiana University's Kelley School of Business to develop a case that would showcase your abilities. Our goal is to give you the opportunity to take your classroom knowledge and experience and apply those skills in a selling situation that is realistic and relevant in today's market.

The Altria and 3M employees participating in the case competition have a wide range of sales and other career experiences. During your visit, we hope you will take the opportunity to get to know us better.

On behalf of Altria Group Distribution Company and 3M, we wish you good luck and great selling!



Altria



2015

Case Overview and Objectives



Note: The case is a fictional situation.

The following case situation was developed for the Indiana University National Team Selling Competition presented by Altria Group Distribution Company and 3M. Although it reflects real-life conditions, both the company you are representing and the account you are selling to are fictitious. All similarities to actual companies are coincidental and unintended. Any actual trademarks used or mentioned are the property of their respective owners.

In this case, you will find the use of actual and fictional market data about the coffee and beverage industry to develop the case scenario. The market and volume data is not intended to reflect real life market data for companies mentioned. The selling situation depicts a fictitious convenience store. The market volume and pricing data for the account has been fabricated. Market information about the company you are representing was also fabricated. Sources: http://www.pbs.org/benfranklin/13_inquiring_little.html; [https://en.wikipedia.org/wiki/Junto_\(club\)](https://en.wikipedia.org/wiki/Junto_(club)); Benjamin Franklin, An American Life by Walter Isaacson

Case Introduction

Your sales team represents Junto Coffee. Junto Coffee leases coffee brewing and water preparation equipment to retail customers. Lease agreements include the right to supply all coffee, serving cups and accessories. Agreements are signed for a two-year period. To date, most of your customers have been independently owned businesses and small chains ranging from corner coffee shops to restaurants and diners.

Your target client is My Store. My Store is a large chain of convenience stores with locations across the country. My Store has already narrowed their list of potential suppliers to seven companies and Junto Coffee is one of the seven. Your team's goal is to secure your first customer in the convenience store segment by reaching an agreement to lease your equipment and supply coffee to all My Store locations.

You have two appointments planned with Junto Coffee. You will only have a third appointment if you are selected as one of three final teams competing for the overall first, second and third place finish.

First Appointment – 15 Minutes

In the first appointment, you will meet with Jodi and Kit. The goal of this meeting is to gather information about what they are looking for in a coffee system. Information gathered from Kit and Jodi will be significant in developing your recommendation for My Store that you will discuss during your second appointment.

Second Appointment – 20 Minutes

During the second appointment, you will have a **selling conversation**. Jodi and Kit will be joined by Pat. The three of them will listen to your proposal and ask questions. You will need to overcome objections and sell an optimal solution for My Store.

Third Appointment – 10 Minutes

This appointment will only be for the top team chosen in each of the three individual presentation rooms. If selected as a top 3 finalist, you will have 10 minutes to present a summary of your proposal based upon your understanding of the customer's needs.

Your presentation will be made during a large meeting of My Store Directors and Vice Presidents, represented by faculty and company sponsors. You can utilize presentation slides on the AV equipment or you can just have a conversation. You will be competing with three teams to decide the overall first, second and third place team. The faculty and company sponsors will be voting to determine the winner.

Good luck and great selling!

JUNTO

COFFEE



Junto Coffee had its start in a small mid-west town quite by accident. Here is how it happened...

Jacob had no idea where his path would lead. He was just excited to take the next step. It was a cold, wet, fall afternoon, but no amount of rain could dampen his mood. After spending six months proving he was a hard-working and dependable dishwasher then busboy, Jacob had finally earned a promotion to work as a server at the local diner. He spent 15 minutes before he left home positioning the shiny new nametag on his fresh white shirt. To Jacob, the nametag was something special, a medal of sorts, as valuable to him as any campaign ribbons worn by generals. He was determined to make the most out of the opportunity.

Jacob had left high school at the age of 16. His father, who had been injured in a severe accident, was no longer able to drive his long haul truck, and his mother was unable to work due to illness. Jacob, the oldest, was thrust into the role of breadwinner for the family of seven. It was a big responsibility that Jacob took very seriously. He spent 40 hours a week on an assembly line in a washing machine factory and at least 20 additional hours in the diner.

This type of grueling work schedule might get some people down, but not Jacob! He was an infectious optimist. No matter how bleak the circumstances or mundane the task, Jacob would find a lesson or value to think about and share. When a co-worker was down, Jacob always knew the right things to say to make them feel important.

Jacob had a passion for knowledge. Though he had been forced to leave school to join the workforce, he never quit learning. Not surprisingly, one of his favorite topics to study was "self-taught success". He loved reading stories about John D. Rockefeller, who had learned on his own and became the richest person in the world by founding Standard Oil. He was inspired by Coco Chanel, growing up poor, taking every opportunity to learn and study about fragrances, eventually founding the most successful perfume company in the world. Jacob could name hundreds of "self-taught success" stories through the decades; from Mozart, to Abraham Lincoln, to Bill Gates and Steve Jobs. While Jacob admired them all, his favorite was Ben Franklin because Ben had shaped the world he lived in. In the 1700's, Franklin created a successful printing business which he franchised across the colonies, providing the news to be printed for half the revenue generated. While this accomplishment was impressive in its own right, Jacob admired most the fact that all through Franklin's life, he continued to learn and strive to make things better. An elder Franklin helped shape a new nation. He edited Thomas Jefferson's Declaration of Independence, secured an alliance with King Louis of France, and negotiated the Treaty with England that ended the war.

One of the stories that Jacob liked to share most was about a group that Ben formed in 1727, called the "Junto". When Jacob would tell the story he would become transformed. He was the "professor" and whoever he was telling the story to became the "student". Jacob's eyes would widen, a smile would appear and he would raise his hands in front of him, palms open and begin to tell his favorite story...

"Ben Franklin was remarkable. In 1727, he brought together a group of friends from different backgrounds known as the Junto. The group included blacksmiths, doctors, cobblers, merchants, and people from many different professions. Most other social clubs in the 1700's were made up of people from a single trade or social group. The Junto's diverse background allowed them to look at problems differently and led to many social benefits. In fact, in 1731, the group founded the first public lending library to help the common person have access to books. Three

years later, this same group founded the first volunteer fire department for Philadelphia, helping to address the deadly danger that fires presented to cities, which were mostly comprised of wooden buildings in early times.”

The accomplishments of the Junto were the result of many minds working together. Jacob learned that Ben Franklin’s leadership, optimism and passion made a significant impact on what they’d been able to achieve.

Jacob tried to emulate these characteristics of his hero every day, and he loved the effect that an optimistic outlook had on those he came in contact with. At the diner, he not only found his optimistic approach helped generate tips, it also led to very interesting conversations with customers and peers. People loved to share their thoughts and dreams as he filled their coffee or made small talk after greeting them. Jacob listened very carefully, thinking about how he could apply what he was learning. In just two years, he had built a wealth of knowledge.

Jacob learned that the plumber that stopped by for juice and egg whites every morning had a master’s degree in geology and a bachelor’s degree in engineering. You would never guess it by the dark green coveralls she wore every day. Her name was KB, and Jacob learned that she enjoyed being underestimated. She especially loved it when she was able to apply her schooling to solve a tough plumbing issue, and then claim to an unsuspecting customer that she was just lucky. KB told Jacob that most of the issues other than broken or frozen pipes that she dealt with were actually caused by our rocks. The heavy limestone and minerals dissolved in the water supply would gradually harden, clogging pipes, making faucets leak and often making water taste funny. She explained that she was working on a new water system. Her unit would test and filter the water, and then balance the mineral content. She became energetic as she described how the right balance would actually deliver a taste people described as sweet.

Jose Rodriguez was another interesting regular. He was known to be a no-nonsense individual, always drinking two cups of coffee, eating two slices of wheat toast with strawberry jelly and then leaving his seat at the counter exactly at 7:42 a.m. every weekday. He was proud of his position as Vice President at the bank. He worked very hard to get there and didn’t mind if people thought he was unfriendly as long as they respected his position. It took Jacob a month to get him to smile. Once he got to know Jacob, he began to loosen up. Jacob’s admiration grew as he learned about his extensive knowledge of both banking and commodity trading. Not only was Jose handling the duties of bank Vice President, he was also acting as the main trading agent for a co-op of coffee growers in Costa Rica. The reason he left the diner each day at 7:42 a.m. was so he could read the daily coffee futures report before trading opened each day.

Perhaps Jacob’s favorite customer was Charlotte, the sales representative for the diner’s food service supplier. Jacob loved the energy Charlotte brought to her work. He admired how she took time to ask everyone how they liked her products and for ideas on how she and her company could improve. Charlotte supplied almost all of the products used at the diner. One area she just could not crack was the coffee business. The diner had always served Tugtor coffee, the leading brand. The owner was afraid to switch thinking Tugtor was what his customers expected. Charlotte decided to give the coffee one more try. She had a new Costa Rican coffee blend to sell. She set an appointment then asked Jacob for his help to get the coffee equipment ready for her sales presentation.

As Jacob tried to think of ways he could help Charlotte convince the owner of the diner to change coffee, he remembered all of the time he had spent scrubbing the hard water rings on the diner’s pots and pans. KB had convinced him that her new filtration unit could balance minerals in the water and make it taste much better. What if the diner could differentiate themselves in the coffee segment by offering premium coffee beans brewed in better-tasting water? This could be a win for all parties involved!

The idea was a hit and the deal was quickly signed. In the next month, coffee and tea sales increased 34%. KB used the testimonial from the diner to sell water units to other restaurants. She often called Charlotte to present both the water system and Costa Rican coffee together. Charlotte and KB were successful. They sold water systems and coffee to 15

restaurants in the next eight months. Jacob would see the pair often as they stopped at the diner for coffee in the morning to plan their calls. He was proud of the role he had played in the partnership's success.

In January of the following year, Jacob saw Charlotte and KB in a corner table in the diner instead of their usual seats at the counter. They both had unusually distressed looks on their faces.

When he finally got them talking, Jacob uncovered a double dose of bad news. Charlotte's company announced that they were no longer going to offer the Costa Rican coffee that had helped her win over many new accounts. KB added that the cost of the materials she needed to make her water systems was going up 12%. Jacob offered an ear to the pair and soon found himself thinking and asking questions. At the end of their ten minute session, the two women agreed to meet that weekend to discuss what they could do to overcome their issues. Charlotte agreed to dig into understanding coffee varieties and why the Costa Rican variety was popular in their area. KB agreed to research different materials and suppliers for her water systems. Jacob assured Charlotte and KB that they could come up with a solution. He asked them to let him know what they came up with at their meeting.

As he was walking away feeling very "Ben Franklinesque", KB grabbed his apron and said, "Wait". Jacob was surprised how strong she pulled him back. "We need you at that meeting". Charlotte joined in, "Jacob, we are either going to end the meeting and get out of the coffee business or we're going to put everything we have on the line to make this work. If we can make it work, we want you to be a big part of it." Jacob was shocked but very excited. The meeting couldn't come fast enough.

The three met at a back table in the diner. Charlotte shared information regarding coffee taste and area preferences, KB discussed options she had uncovered, Jacob surprised the two with research on the number of businesses in their area that could be potential customers for coffee or equipment. KB and Charlotte had never considered Jacob's list as potential customers. As Jacob took them through the data, KB and Charlotte exchanged a thumbs-up, understanding what a great addition Jacob was making to their team. It was clear the market for their concept existed. KB had solved the issue with material cost. Charlotte had found a new coffee supplier, but the higher cost would hurt the profit margins. Jacob asked the two if he could have a minute, then stepped out of the diner. He reappeared ten minutes later followed by Jose Rodriguez. KB and Charlotte exchanged a quick stare. They were aware of his reputation. Jose was not a person they wanted to spend any time with.

Appearing very formal in his three piece suit standing at the end of the table, he began "Call me Jose". He reached out to shake hands then began, "Jacob tells me the three of you are interested in selling some coffee. I know a little about coffee. I can help you." Jose not only knew a little about coffee, he could arrange for the new company to buy the highest quality beans at market prices. The growers he represented were eager to sell more to regional roasters and reduce their dependence on large-buying national roasters like Tugtor.

The four of them began brainstorming, and they felt like a natural team. After three hours of lively conversation, the table fell silent. All of their questions had been answered, and their future was clear. This team would be going into business together. KB spoke up, "What are we going to call our company?" Jose glanced at Charlotte, then caught KB's eye, both were nodding in Jacob's direction. Charlotte spoke, "For years I have listened to Jacob's stories of Ben Franklin and the Junto. Tonight, we have recreated the concept. Let's name it Junto Coffee." KB sprung to her feet to give enthusiastic high fives to her new partners.

Things started off slow. Even small coffee shops were hard to convince to take a chance on Junto Coffee. Through trial and error they found a winning formula. During their first appointments, they would only ask questions about their potential clients' businesses. They would try to identify opportunities that an improved coffee system could help with. If customers were not staying long and not having a second cup, they would ask how that impacted sandwich or pastry sales. When a new customer came in, how many would make return visits? Only when they could make a connection to a bigger opportunity were the small shop owners willing to take a risk on Junto Coffee.

Their agreements were clean. They would lease their brewing equipment for a two year period. The agreements included maintenance on the machines and training on how to use them. The agreements also included a contract to purchase coffee and supplies at market prices from Junto. The formula worked and coffee shops found themselves selling more cups. Customers stayed longer and consumed more sandwiches and pastries. Junto Coffee found that the money was in the beans. If they could simply cover the cost of the equipment and maintenance in their lease agreements, the improved quality of the coffee generated more cup sales. With the agreements Jose negotiated, Junto Coffee earned \$2.25 per pound on their sales.

Slowly they built a client list. Their coffee was brewed with more balanced water. The beans were the highest quality for the money, and the coffee tasted better. They were becoming a leader in supplying equipment and beans to smaller shops. They saw the potential for new customers everywhere. Today, there are 54,000 businesses describing themselves as coffee shops in the United States, and the number is growing at 2.5% per year.

With the growing competition in the retail coffee business, a desire to compare and rate the different shops arose. Yelp and other online systems saw an ever increasing number of posts. Three years ago, a new start up took advantage of the growing desire for a rating system. BevTaste began by posting free reviews online for coffee shops visited in the northeast. The BevTaste site soon became the source to find the best tasting brew. Popularity exploded, and in one year, they were contracting shops, diners, convenience stores and even fine restaurants to sample, rate and give feedback on their coffee. Early last year, in a feature article in [Coffee Shop U.S.A](#), the leading trade journal, BevTaste was asked to name the four top brewing systems delivering the best tasting coffee. Junto Coffee's, Constitution, was rated the number two system.

After the article was published sales soared. The heart of the original Constitution is the water system. KB's patented process uses spectral analysis at three stages to measure the factors she has identified to deliver the perfect balance for brewing. Water is not only filtered to remove particles and unwanted chemicals, but de-natured limestone and minute quantities of phosphorus, magnesium, sulfur and other minerals may be added based on the spectral analysis. This process is considered one of the company's most valuable assets and is the heartbeat of all three brewing systems leased by Junto Coffee today.

Another differentiating factor leading to Junto's success has been the quality of coffee beans it has been able to procure. Jose's expertise and connections in sourcing coffee from his network of growers led to the creation of a wholesale coffee bean supply business. Only the highest quality raw beans are sourced from the growers. These are sold to a network of local roasters, each tailoring their roasting process to coax unbelievable flavor from the rich brown beans. The number of local roasters continues to grow. There are over 1,200 small roasters now registered in the United States, each of them coaxing different flavors out of the bean. Coffee flavors are recognized to be even more complex and subtle than wine. These local roasters are able to tailor their goods to local preferences.

These regional local roasters have created a vast network of high quality roasted product that Junto offers to clients in their brewing equipment lease agreements. All Junto's equipment lease agreements stipulate that all coffee brewed in their machines must be purchased from Junto. Their network of roasters not only gives the roasters a competitively priced supply of raw beans, it opens up a national market of small shops through Junto's leasing agreements. Today, Junto's is able to offer 67 different varieties to their clients.

Junto is proud of the reputation they have earned in the coffee business, and they have put infrastructure in place to protect the quality of both their brewing process and the roasted beans they offer to brew. This is done with monthly servicing of the leased equipment, and a contract with BevTaste as a part of every lease agreement to audit and score the quality of the coffee delivered. Junto guarantees that each machine will deliver a BevTaste score of 87 or higher or the equipment will be replaced, and the monthly lease payment will be refunded.

KB has developed three brewing and water enhancement machines to satisfy different demands. All three systems feature KB's patented water process as the heart of the machine. The local water supply is connected to the machines, then her spectrometer, filtration and enhancement process prepares the water to maximize the flavor from the coffee beans, tea or cocoa products to be brewed. All machines feature the same temperature control and water heating processes to ensure

they meet the Junto's guaranteed BevTaste audit ratings. To minimize user error, the system runs on a push button selection touch screen. Depending on the model, the user selects the type of bean, the strength of the brew and up to four additional flavorings to be precisely measured and added to their cup at the perfect time in the brewing process. After the bean type is selected, fresh beans are drawn from storage bins, then ground to meet the selection. The aroma of the fresh ground beans permeates the air as they are transferred to the brewing basket for each cup. In the basket, KB's process works its magic. Water at the perfect temperature is washed over the fresh grounds extracting the very best flavor possible from the beans, tea or cocoa product selected. The entire process takes between 27 and 41 seconds per cup from the time the eager customer makes their selections and pushes the "Brew a Fresh Junto" button on the machine. An added benefit of the process is the way it disposes of the grounds. After each cup is completed, the small brew basket is emptied into a recycling bag and the basket is rinsed and readied for the next cup. The recycling bags are sealed and dropped into a "Take Me Home" basket after 35 cups are brewed. The bags are free to customers to take home for many uses.

The most basic machine, called the Independence is designed for 25% of their customers. The mom and pop diners and sandwich shops that lease them, love them. This machine holds six different varieties of coffee or other brewing products and four different flavorings or additives they can select from. Customers usually offer one custom coffee variety, a decaf, a standard light, medium and dark roast and a sixth bin offering either tea or cocoa. The machine costs \$10,000 to produce and install. Junto's standard lease rate for this machine is \$500 per month. The lease rate is designed to deliver additional profit. All lease agreements are for two years. After two years, the old machines are recycled and new machines are installed with a new lease to insure the latest technology and maximum brewing performance. The Independence is supported with on-line web based training.

The most popular machine is the Constitution. The Constitution brews beverages faster and has significantly more capacity. The machine features 12 different brewing bins and eight different flavoring or additive options. The Constitution is the system they supply to 55% of their clients. This version costs \$15,000 to manufacture and install and leases for \$750 per month. The Constitution is supported with on line web-based training.

The third version is called the Junto Barista. This machine offers 16 bins for different coffee varieties and three refrigerated containers for milk, cream or other products. The Barista offers the ability to brew specialty beverages including espresso, latte and iced products for the discriminating consumer. With all of the different options, the Junto Barista requires additional training and maintenance. The Junto Barista requires a monthly on-site training and education course for store employees. This one and a half hour training course is designed to meet requirements developed by BevTaste. Everyone who completes the training attains the title of "Certified Barista". This certification enables shops to be listed on the National Barista Registry and to proudly display certified BevTaste Barista decals and signage. Discriminating coffee consumers seek out shops offering this designation to be assured of the highest quality brews and most knowledgeable staff. The precision needed to brew espresso and the other specialty coffees drives the cost of the Junto Barista to over \$33,000 to manufacture. The additional training and maintenance required adds an additional \$150 cost per month for supplying the machine. The monthly lease charge of \$1,800 is designed to cover the machine, the training and to deliver profit. The Junto Barista is leased to 20% of customers, mainly high end coffee shops.

Junto's sales teams are charged with selling their programs and negotiating lease payments. Lease agreements must cover the cost of the equipment and training per government regulations.

Junto's formula is working. Jose sources the best beans, KB delivers the perfect water, and Charlotte teaches the sales teams to focus on the whole business, not just sell coffee. Jacob's leadership propelled him to the role of CEO. With each of the other team members specializing, he continues to act like his hero, Ben Franklin, understanding the different pieces that make Junto work and keeping them working towards a common goal. His infectious optimism has propelled the company to success. Dressed in a crisp white shirt, just like the one he wore at the diner, he now sports a coffee bean tie each day. Jacob stays connected to each employee's role and makes them see how important they are to Junto's success. Everyone understands how their role is connected to Junto's main source of revenue, the \$2.25 profit they generate on every pound they sell to their customers.

The next area that Junto has targeted for growth is the convenience store coffee sector. Market research has uncovered that the convenience store industry has been left behind the coffee growth curve as other purveyors have improved the quality and variety of the brews they offer. The convenience store industry offers a huge potential market. There are over 152,000 convenience store locations in the United States and almost all of them serve coffee. Junto has been searching for the right customer to crack into the convenience coffee sector.





Jodi and Kit were natural rivals during their days in college, they hung with different friends, dressed differently, lived in different worlds. One liked social networking, belonged to sororities and social clubs, the other participated in every sport she could find time for between part-time jobs. They probably never would have met except they coveted the same prize.

During the first semester of grad school, they were in many of the same classes but seldom spoke. It wasn't animosity, they were just very different. When the first exam scores were posted, their names were at the top, first Jodi, then Kit. No matter the subject, one of them would excel. Their competition, while never spoken, was fierce. The desire to best each other drove them to be better. Every challenge presented instantly became a competition between the two and thus another barrier to them ever speaking, let alone working together.

The ultimate award that became the unspoken grail for the rivals was the Spiro Award. The Spiro Award was the \$50,000 cash award given by the prestigious school to their top Master's graduate each year. Winning this award meant instant success for its recipient. Winners could pick any company they wanted to work for. The 2014 issue of [Graduate Recruiting Magazine](#) rated the award in the top five for graduate business schools. To the rivals, the award would be the deciding factor in determining the superior student, once and for all. The winner of the award would come down to who submitted a stronger final paper.

Kit's thesis was a brilliant examination of the importance of linking employee engagement to customer satisfaction. The topic was "Achieving Customer Satisfaction through Fulfilling Employee Expectations". The tag line, "Smiles Can Be Felt For Miles" connected customers' desire for a friendly, helpful shopping experience with employees desire to feel appreciated and to understand how their role connected to the business's success. Kit cited examples from across the business spectrum; sports teams, apparel retailers, on-line shopping, airlines and construction firms. She developed two formulas that further proved her theory. The first measured an employee's understanding of his/her role and the link between their performance in this role and the success of the company. Kit's second formula measured the impact of employee performance on their customers, how it impacted their satisfaction with each transaction and their likelihood to be a repeat customer. Her conclusion was that engaged employees create satisfied, loyal customers who are happy to spend more dollars where they were appreciated.

Jodi's presentation was epic. She examined policies of cost containment and their impact on shareholder return. Every element of the companies she studied was broken down to reveal a cost and return for each employee; this included each piece of equipment and every minute spent in meetings. She even examined how a hot sauce company could save hundreds of dollars slicing their jalapeno peppers 15 minutes later in their process to preserve more heat in the pepper! Her findings were fascinating and compelling. One professor even admitted turning on his phone halfway through the presentation to calculate the cost of his time during the presentation.

The committee awarding the Spiro Award was divided after the final presentations. Both women had clearly separated themselves from their peers throughout their time at the university. The finance and economics chairs weighed in on the specificity and detail of Jodi's analysis. The marketing and management chairs were enthusiastic about Kit's applicability of clarifying roles and engaging employees to increase customer satisfaction and loyalty. In the end, it was decided that a coin flip would decide the winner.

The two were brought into the dean's office early the next morning. The dean explained the dilemma and told them the coin flip would take place three days later at the conclusion of the graduation ceremony. Both had a feeling of relief. Their

work was finished, and they had done their best. It was out of their hands. As they stood up to leave, they thanked the dean and then shook hands, wishing each other good luck.

As the two exited the administration building, they were blasted by hot humid air that had come early that spring. It was one of those days, and the air was heavy with humidity. So heavy that it felt if you squeezed it you could wring out the water. Kit stepped out first and was holding the door for Jodi. As the hot air engulfed Jodi she raised her head and let out, "Wow, it's hot!" Kit laughed and replied, "Hotter than a jalapeno!" Jodi looked back startled and said, "You read it?" Kit replied, "I thought it was brilliant". Jodi smiled adding, "I read yours too. It was great! I learned a lot!" It was the first time the two had ever spoken outside a classroom. Jodi asked, "Do you want to get a Coke?" Kit quickly agreed. They walked three blocks to Harold's, the only store on campus. Harold's was a combo convenience store/deli. They were the only game in town since a small competitor had closed earlier in the year.

Harold's knew they had a great location, they were not afraid to charge extra for it. The two women entered the store and went to the fountain drink station, still trading compliments about details they had read in each other's papers. They each grabbed a large cup, filled it with ice and their chosen drink, and proceeded to the counter. Kit reached the counter first while Jodi wandered to the chip aisle to grab a snack to share. Kit smiled. The owner of the store, Harold, was at the register. He snarled back saying, "That's all?", while nodding at the large drink. By this time, Jodi had reached the counter as well and started to place her drink and chips on the counter. She noticed the chips were four days past their "sell by" date. She jumped into the conversation between Kit and Harold and asked, "Why do you take advantage of all the students on campus?" Harold scowled back, "Do you want the drink or not? I'll do what I want; it's not your store." Kit and Jodi looked at each other; it was as if they had one mind. Without a word, they left the drinks and chips on the counter and left the store hotter than when they entered.

For the next 15 minutes the two traded stories about how much they disliked Harold's and how they wished someone would do something about it. They traded ideas about how they could do the deli better and even provide delivery to students on campus. Kit described how they could have a student reward program instead of a student "robbery" program. The more they vented, the more they began to answer each other's ideas with agreement. Before long, the reply, "someone should do that", began to be replaced with, "we should do that."

Two hours later, the pair found themselves sitting in the shade of an oak tree on an iron bench in front of the library. They had discussed every awful experience they had heard about Harold's. The conversation had morphed from surface issues to a sophisticated discussion about business practices and how they could better serve customers and the community. In the two hours they'd spent under the tree, they had developed a deep respect for each other and they thought that, together, they could potentially develop a very successful business that could compete with Harold's. They stood on the knife's edge of making a decision. They could either agree to follow through on their discussion and open a competing store, or get up and go their separate ways.

My Store was opened four months later. Jodi had won the coin flip. In the shade of the oak tree, they had agreed that whoever won, they would use the Spiro award money as a down payment to purchase the store that had closed earlier in the year to compete with Harold's. They agreed to give the business six months to turn a profit before either of them would leave to go their separate ways, turning back to one of the many "safer" career opportunities already laid before them. It was a perfect partnership from the start. Jodi handled all of the financial decisions; Kit handled the operations and marketing.

Jodi became known as the "Princess of Pennies". She studied every cost and sourced suppliers to offer prices lower than Harold's with sustainable profit margins. Kit worked her magic on building a loyal customer base. She developed programs for clubs and Greek organizations on campus. She reached out to local charities to develop special events that helped put organizations together with student groups looking for a good cause to support. To encourage exceptional customer

service, she implemented an employee reward program that would add one hour of paid time each day to any clerk who generated a positive comment from a customer. This was paid on the honor system, at the end of the day, each employee checked yes or no on a 3 x 5 card with the statement, "I made a customer happy that they choose My Store today." She constantly sought customer feedback and looked for ways to reward employees for making the transaction into more than a sale.

The concept worked. Happy customers became frequent customers. My Store became the leader in the market after four months. Jodi's ability to measure costs not only saved money on the buying end of the business, she also proved the benefit of Kit's employee reward program financially. Despite the additional hour pay that 83% of employees turned in, Jodi identified that happy customers came back more often and spent more money.

Kit and Jodi worked well together, they loved that they could operate a business that enabled them to put their education to the test but also allowed them to interact with customers and support worthy causes in the community. They were also making a substantial profit. After the six month trial period they met to discuss their future. Both had done their homework. Jodi had run projections for expansion based on profitability models. Kit had identified a niche for stores concentrating on customer service. The potential was huge.

The two never left for their separate career paths. The following year they opened a second and third location. Their formula had proven to be sustainable and transferable. Jodi would measure and validate every cost while Kit executed operational plans focused on employee engagement and customer satisfaction.

Word of mouth spread about how My Store really felt like "My" store to their customers. People loved the interaction with clerks. As the number of stores grew over the last decade, Kit's attention became more and more focused on the customer transaction and employee satisfaction elements of the business. At the same time, Jodi continued to hone in on cost saving. With their 1492 stores today, her goal to save 2% on electric usage alone will create over \$400,000 in bottom line profits.

The success of the My Store chain today stems directly from the focus of Jodi and Kit. Raw material and operating costs are by far the lowest in the industry. Every conceivable efficiency measure is in place. Their "Happy Customer" employee reward program actually translates to lower than average labor costs by increasing employee retention; thereby reducing costs associated with hiring and training new employees. From delivery schedules to product performance and inventory levels to cleaning supplies, Jodi measures *everything*. Every agreement has to be cleared by her department to ensure the lowest possible cost is attained.

Jodi's role of managing cost is a vital component in the company's success. She has a role in every major negotiation with suppliers. She is known to be wary of new trends. Her years of experience in the industry have taught her that the first versions of most trendy products or equipment are usually very expensive and often unreliable. She is known to prefer the products which are tried and true. She stays disciplined to look past the glitter and promise of new ideas to focus on only the bottom line. "If it costs us less when we sell it, we get to keep more". She guards bottom line profits with such zeal that suppliers have become reluctant to even share the newest trends and items until they had developed a proven track record.

Kit has taken customer service to the highest level. The focus is linking the value of a rewarding experience for both employees and customers. Kit has been at the forefront of innovative interaction. My Store was first to offer a customer reward program. My Store continues to support charities with cash donations and events to raise funds.

My Store also awards incentives to employees every time a consumer offers feedback about a positive interaction, and the stores make it easy for customers to share their comments, thoughts, and suggestions. Customers can fill out comment cards in the store, call a toll-free phone number or post their feedback online. Each store features a small kiosk located just

before the store exit. The kiosk contains feedback cards, a suggestion box and a computer terminal that can be used free of charge. Customers can provide feedback, recognize customer service and sign up or research their reward program. A sign above the kiosk invites customers to share their ideas. Some of the programs that have already been implemented in response to customer suggestions include free fountain drinks on birthdays, graduations or “special days”. “Special days” has become a My Store favorite. To be declared a “Special Day” the customer simply needs to share with a store employee something significant to them about the day. Recent examples have ranged from a five year olds first pony ride to an entire wedding party stopping in after the ceremony on their way to the reception.

Customers can sign up for the rewards program in a number of ways. They can sign up electronically online or at the feedback kiosks located in the stores, or they can manually fill out a card in the store and turn it in to the clerk. Reward program identifiers come in many forms. After signing up, customers receive a standard credit card, a key fob and four self-adhesive reward stickers. All include the customer’s information on the UPC. These reward stickers have become a huge favorite. Customers place them anywhere they choose, from hard hats, thermoses and coffee mugs to nurses placing them on the backs of their ID badges. Many customers even place them on the back of their cell phone cases. At least twice a month a store is asked if there is a tattoo application available.

Many loyal customers want My Store to know even more about them. A feature was added where customers can enter birthdays, anniversaries, and short notes for the clerks to read about them. Customers are encouraged to share any information they choose. Many customers have entered personalized messages, encouraging clerks to remind them to purchase products or even to ask them about their pets! When Jerry, a loyal customer in Mayfield, scans his card, the phrase, “Who’s there?” pops up to remind the clerk to engage in his knock-knock jokes. Jerry has visited his store between 6:45 a.m. and 7:00 a.m., every single week day for six years. He has greeted the clerk on duty with a new knock-knock joke, over 1,500 knock-knocks without a single repeat!

Kit’s focus on customer satisfaction has prompted My Store to offer fresh prepared foods. Customer feedback and employees’ desire to offer healthy options to traditional convenience store fare led to the change. My Store now offers handmade gourmet sandwiches and fresh salads for lunch. Fresh baked biscuit sandwiches and fresh fruit bowls are made for breakfast. Other additions are organic fruit and gluten-free snacks. Data shows these additions are attracting a new, free-spending demographic to the stores. Occasionally they even spot a “hardhat-wearing regular” placing a gluten-free granola bar next to a high caffeine energy drink and beef jerky at the check-out.

While My Store has been excelling in many areas, they had taken their eye off specific trends within traditional categories. The focus on improving transactional experiences and limiting cost allowed for limited attention to evolving trends in existing product lines. Jodi maintained a focus on saving money on products, services and equipment that they brought into the stores. Kit focused on creating a great experience as customers left the store. However, they had been so laser-focused on cost management and providing new customer experiences that a gap had arisen between their stores and their competition with regard to staying up to date and innovative in the types of products they offered in their more traditional categories. Customer feedback, focus groups and sales lagging behind industry data pointed to a need for change.

Change came in the form of Pat. After interviewing 37 applicants, Jodi and Kit agreed that Pat was who they needed to help bridge the gap that had developed between them. Pat came to My Store with experience, creating innovative solutions for corporations in transition. Examples included two years negotiating water rights for the California Wine Growers Association with the EPA and four years helping a large DVD video rental retailer make a transition to one of the leading on-line movie rental sites in the world. The experience that Kit and Jodi liked most was Pat’s success helping a small family fudge factory use their knowledge of elasticity and crystal formation to seek new product lines and sales channels. Today, that company is the third largest supplier of touch screens for computers, phones and note pads. Pat beams when asked

about the transition. “They make great crystals; some taste great in fudge, some look great on phones. The trick was to keep the focus on the crystal and what it brought to the product.”

Pat was appointed as My Store’s Innovation Chairperson. The job description reads, “Your role is to focus on developing solutions to maximize returns on new and existing categories while enhancing the My Store experience for both new and existing customers.” Pat laughs when asked to describe the job. “Most of the time, I am like a detective. I look at the evidence, ask questions to understand where limits and opportunities lie, then make a case to make everyone happy. There are other times I am like the referee in the ring, I duck and weave as Jodi and Kit throw conflicting ideas back and forth until they both get tired of arguing. I then step in and repeat a few things each of them said and I look like a genius.”

Pat’s first task was to fix the mess a recent fountain drink upgrade caused. The need to offer a more satisfying product mix had been identified by Jodi and Kit before Pat came on. Earlier in the year, they made a decision to capitalize on the growth of energy and health drinks and to reduce the operating costs of their older system. Every fountain system was replaced. New graphics were designed, highlighting the trendy new beverage options. Kit and Jodi were excited about what this upgrade would mean for My Store. Jodi had been drawn to the ability to save money on the new fountain system. She loved the higher margins associated with the trendy new beverage line. Kit had been excited to have clerks talk to their customers about the trendiest items in the category. Clerks were asked to suggestively sell the new healthy drink options.

The new beverage lineup didn’t exactly pan out as expected. Early analysis sent off alarm bells, and Jodi’s data showed they had gone too far. Fountain sales actually dropped. Customer feedback showed that My Store’s core customer base wanted a basic fountain lineup. They didn’t understand how to use the new fountain system and clerks had not been trained to teach them. Customers didn’t have time to search past 16 new fountain heads to find their standby favorite. Core customers valued a fast, simple transaction saying, “If I want to learn to speak Grande Venti and wait 15 minutes, I’ll go to a juice bar. I like My Store because it is quick and I can find what I want.”

The new fountains were even impacting employee morale. Favorable comments from the regular customer base declined. This in turn reduced employee bonuses for generating positive feedback. Clerks saw themselves being asked to recommend items to customers that they knew would result in lower paychecks for themselves. Pat started just after the new fountain systems were installed. Pat implemented changes quickly. Focus was shifted back to the core category, while newer trendy products were repositioned. To encourage customers to come back and try their new system, they started a \$.99 cent price for any size fountain program. The core customers came back, favorable feedback resumed and a lesson was learned. The new trendy items did generate growth, continuing My Store’s ability to attract a new health conscious trendy customer, but the formula only worked if they continued to satisfy their core customer base. Feedback tells them that the new \$.99 cent price for any size fountain drink is very popular with their base customer. The popularity of the single price for any size drink was transferred to hot beverages with a \$.99 price for any size coffee.

Kit and Jodi believe that the next area in need of an upgrade is coffee. They asked Pat to lead the project. Pat started the upgrade process by contracting with BevTaste, a national beverage audit service. BevTaste visits every store to inspect both fountain drinks and hot beverages. My Store’s recently upgraded fountain system received scores of 89 out of 100 from BevTaste, landing them in the upper 10% of convenience stores. The coffee system did not fare well. BevTaste graded My Store at 27 out of 100. The body of their coffee was rated as, “heavy and chewy”, when translated into the Coffee Wheel used to evaluate coffee quality. Adjectives describing taste were “unbalanced” and “astringent”. Notes from one of the auditors captured feedback from Jake, a hardhat-wearing construction worker that described himself as a regular customer. Jake said, “I know the coffee ain’t good, heck it’s awful! What I don’t drink I can use to patch the driveway. But this is *my store* and they take care of me here, so I will drink their coffee.” Additional BevTaste findings revealed that consumers buying coffee in My Store spent an average of \$5.12 on items purchased with their coffee versus the national convenience store average of \$5.18.

Kit felt embarrassed after Pat shared their BevTaste coffee report. A 27?! How could they have let it get so bad? Kit and Jodi set a meeting with BevTaste to ask for advice. They found out the biggest problem was with their equipment. The coffee brewing equipment in My Store was dated. Their machines only offered two styles of regular coffee often baked on warming plates for hours after they were brewed. The machines also offered a hot water dispenser that enabled the customer to make hot cocoa or tea. BevTaste explained that coffee drinkers had become much more demanding and sophisticated since the original machines were purchased years ago. Customers that used to grab anything hot for a quick kick of caffeine now had coffee shops on every corner, some with a language of their own to describe their offerings. Brewing equipment had progressed to extract every imaginable flavor from the coffee bean. When BevTaste representatives passed out copies of the Coffee Wheel with all of the adjectives used to describe the taste of different types of coffee, Kit's head felt like it would explode.

The meeting was a lesson in how far My Store had let their product mix fall below what their customers deserved. Kit, Jodi and Pat agreed they needed to act quickly. They have decided they need to partner with a company that can act as their coffee category expert to keep them from losing touch again. BevTaste has recommended seven different suppliers to help My Store. Junto Coffee Supply is one of the seven. The only decision that has been made on coffee so far is that My Store will continue their \$0.99 price for any size hot beverage pricing.

Preliminary discussions have uncovered the following:

- All of Junto's brewing systems will fit into the existing coffee space.
- My Store will lease equipment from whoever they select as a new supplier.
- My Store has agreed to purchase their coffee from the partner they select as their coffee supplier as per standard agreements.

